

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Tittabawassee Township	County Saginaw
Audit Date March 31, 2005	Opinion Date June 9, 2005	Date Accountant Report Submitted to State: 9/20/95	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			
Street Address 3023 Davenport	City Saginaw	State MI	ZIP 48605
Accountant Signature 			

Township of Tittabawassee

Saginaw County, Michigan

**Annual Financial Statements
and
Auditors' Report**

March 31, 2005

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Township of Tittabawassee
List of Elected and Appointed Officials
March 31, 2005

Township Board

Kenneth Kasper - Supervisor

Mary Kay Knoerr - Treasurer

Robert DuCharme - Clerk

Paul Vasold - Trustee

Tom Metiva - Trustee

Rick Hayes - Trustee

Carl Neuenfeldt - Trustee

Other Officers and Officials

Brian Kischnick - Township Manager



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Independent Auditors' Report

To the Township Board
Township of Tittabawassee
Freeland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Township of Tittabawassee as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Township of Tittabawassee as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township Board has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Tittabawassee's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

June 10, 2005
Saginaw, Michigan

Township of Tittabawassee

Management's Discussion and Analysis

Year Ended March 31, 2005

Our discussion and analysis of Tittabawassee's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005.

Total net assets related to the Township's governmental activities are \$4,758,513. The unrestricted portions of net assets are \$2,907,895 (see table of statement of net assets on the following page).

Tax revenues, the Township's second largest revenue source, increased by approximately \$14,000 from 2004. This is representative of new construction that the Township experienced in the prior year. Without new development, the Township will be faced with declining tax revenue, a direct result of Proposal A, which is a major concern to the Township.

State shared revenues, our largest revenue source, was reduced by about \$17,000 by the State of Michigan this year. In light of continuing State Budget Problems, and constant threat to take away all revenue sharing, the Township has reacted by invoking tighter controls over all expenditures. The Township was fortunate, this fiscal year, to experience an increase in tax revenues to counteract the decrease in revenue sharing.

Certain comparative information, ordinarily required, is not available the first year that the financial statements are prepared according to GASB 34 guidelines. Subsequent reports will include a prior year comparison of results.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of Tittabawassee as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Tittabawassee
Management's Discussion and Analysis
Year Ended March 31, 2005

Tittabawassee as a Whole

The following table shows, in a condensed format, the statement of net assets as of March 31, 2005. Comparative analysis will be provided in the future when prior year information is available.

	Governmental Activities 2005	Business-type Activities 2005	Total 2005
	<u> </u>	<u> </u>	<u> </u>
Current assets	\$ 3,083,434	\$ 5,286,925	\$ 8,370,359
Capital assets	<u>2,137,385</u>	<u>9,748,554</u>	<u>11,885,939</u>
Total assets	<u>5,220,819</u>	<u>15,035,479</u>	<u>20,256,298</u>
Current liabilities	193,706	296,240	489,946
Long term liabilities	<u>268,600</u>	<u>490,000</u>	<u>758,600</u>
Total liabilities	<u>462,306</u>	<u>786,240</u>	<u>1,248,546</u>
Invested in capital assets, net of related debt	1,850,618	9,748,554	11,599,172
Restricted for:			
Bond reserve	-	56,500	56,500
Unrestricted	<u>2,907,895</u>	<u>4,444,185</u>	<u>7,352,080</u>
Total net assets	<u>\$ 4,758,513</u>	<u>\$ 14,249,239</u>	<u>\$ 19,007,752</u>

The Township's net assets for governmental activities are \$ 4,758,513 and \$14,249,239 for business type activities; of these amounts \$2,907,895 (governmental) and \$4,444,185 (business-type) are unrestricted assets.

Township of Tittabawassee
Management's Discussion and Analysis
Year Ended March 31, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue			
Program revenue			
Charges for services	\$ 506,967	\$ 2,274,906	\$ 2,781,873
Operating grants and contributions	13,645	-	13,645
Capital grants and contributions	-	198,467	198,467
General revenue:			
Property taxes	870,253	-	870,253
State-shared revenue	490,804	-	490,804
Unrestricted investment earnings	65,523	97,821	163,344
Gain on sale of capital assets	9,560	-	9,560
Miscellaneous	<u>212,611</u>	<u>331,423</u>	<u>544,034</u>
Total revenue	<u>2,169,363</u>	<u>2,902,617</u>	<u>5,071,980</u>
Program expenses			
General government	514,700	-	514,700
Public safety	723,225	-	723,225
Public works	578,972	-	578,972
Community and economic development	21,187	-	21,187
Recreation and culture	139,741	-	139,741
Interest on long-term debt	14,008	-	14,008
Water and sewer	<u>-</u>	<u>2,413,988</u>	<u>2,413,988</u>
Total program expenses	<u>1,991,833</u>	<u>2,413,988</u>	<u>4,405,821</u>
Change in net assets	<u>\$ 177,530</u>	<u>\$ 488,629</u>	<u>\$ 666,159</u>

**Township of Tittabawassee
Management's Discussion and Analysis
Year Ended March 31, 2005**

Governmental Activities

The Township's total governmental activity revenues were \$2,169,363. There was a slight decrease in State-shared revenue, which has been offset with an increase in property taxes.

Governmental activity expenditures of \$1,991,833 were recorded for the year. This included increases in health care costs and property and liability insurance rates. To offset these increases in cost, the Township closely monitored its spending in all other areas.

Business Type Activities

Tittabawassee's business-type activities consist of Water & Sewer Fund. The water and sewer funds are combined major funds.

There are residents in the Township who only have public water and others only have public sewer. Then there are residents who have both public water and sewer. As of March 31, 2005, there were 2,102 water customers and 1,745 sewer customers in the Township. Between 2000 and 2005, the average annual growth was 82 water customers, and 73 sewer customers.

Sewer

Tittabawassee Township owns and operates a lagoon system for the wastewater customers. The Lagoon system is currently designed to treat 650 thousand gallons per day. The Tittabawassee Township's wastewater treatment facility consists of a modified lagoon treatment process that was originally constructed in 1972. A major expansion and improvements were made to the facility in 1984. After 20 years of wear and tear on the equipment, the Township has begun a \$2.4 million upgrades to the Lagoon system. The upgrades include installing aeration and repairing structures that are in need of maintenance. The current influent and effluent flow metering and sampling will also be upgraded to meet MDEQ requirements. This upgrade will improve the quality of treatment and increase the quantity of treatment from 650 to 900 thousand gallons per day.

All of the improvements would also be able to be reused, should the facility ever be considered for upgrading to a mechanical wastewater treatment plant if capacity becomes an issue in the future. Therefore, dollars spent today would not only extend the life of the existing facility and meet State requirements, but it would also be able to be reused should the Township ever need the additional capacity a mechanical wastewater treatment plant could provide.

**Township of Tittabawassee
Management's Discussion and Analysis
Year Ended March 31, 2005**

The Township's sanitary sewer fund has been in relatively good standing over the years. In 1985, the sewer rates were increased to \$72/quarter for a single family home. In 1994, the sewer rates were actually reduced to \$67/quarter for a single family home. Generally speaking, rate reductions are extremely rare. There have been no increases in the sewer rates over the last ten years, not even annual incremental increases to cover inflation in the rates. Currently, the sewer fund has a cash balance of approximately \$2.5 million. Only inflationary increases in sewer rates are expected over the next three years.

In addition to the lagoon improvements, the Township is also in the process of evaluating and designing the construction of sewer force main and lift station from the plant to the south ending at Tittabawassee Road. This \$1.5 million project will be shared between the Township and two developers based on the serviceable land area in the new sewer district.

Water

Tittabawassee Township purchases raw water from the City of Saginaw under a contract approved in 1984. Water rates from the City of Saginaw changed substantially over the past two years, changing from a uniform rate basis to a cost of service rate basis. Since Tittabawassee Township is located a long distance away from the City plant and the water must be pumped up hill to the Township, the new cost of service approach has impacted the Township dramatically. The City also changed the rate structure to put more of the cost on the readiness to serve charge and less on the commodity charge. The City implemented new rates that result in a 161% increase to the Township. As a result the Township implemented new rates effective July 1, 2005 to cover the cost of the City's charges under the new methodology.

The Township's sanitary water fund has been in relatively good standing over the years. Currently, the water fund has a cash balance of approximately \$1.5 million. Fortunately, the Township continues to experience new single family housing growth which mitigates the individual readiness to charge serve cost by spreading it out across more houses, thereby decreasing the individual cost. The number of water taps was 115 in 1999 and was 72 in 2004. This is a healthy range of new customers coming onto the system paying tap in fees which allows for capital improvements including system reliability enhancements.

Currently, there is no major water system improvement projects anticipated in the next budget year. The Township is reserving funds for the potential construction of a water tower around 2010.

**Township of Tittabawassee
Management's Discussion and Analysis
Year Ended March 31, 2005**

Tittabawassee Funds

The fund financial statements provide detailed information about the most significant funds, not Tittabawassee as a whole. The Township Board creates funds to help manage money for specific purposes as well as show accountability for certain activities. The Township's major governmental funds include the General Fund, Police Fund and Trash Fund.

a) General Fund

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues, and from fees charged for various municipal activities and services are recorded in the General Fund. Township Board's approved budget for the 2005 fiscal year included the use of \$342,173 of the fund balance in the General fund, of which the Township actually used \$265,260 and left \$1,206,550 in fund balance at year end.

The General Fund is primarily financed by State revenue sharing and the general operating millage (.8948 mills).

b) Police Fund

The Tittabawassee Township Police Department is a value driven law enforcement agency working in partnership with our citizens to provide quality law enforcement services in a courteous and professional manner for the safety and well being of our community. The current police force consists of 4 full-time officers and 8 part-time sworn officers. At the present we are providing the citizens with professional full time protection and law enforcement.

The Police Fund is financed by the Police Millage (2.2372 mills) and half of the Public Safety Millage (.4744 mills for Police). Both millages generated approximately \$470,000 in the current year. Projected FY 2005/06 operating expenditures for the department is \$490,000.

c) Trash Fund

The Township contracts with MMWA, Mid-Michigan Waste Authority for it rubbish removal. The current rate per year for a residence is \$125 and is collected on the tax bill. The Township offers recycling and yard waste pickup in addition to their rubbish removal.

**Township of Tittabawassee
Management's Discussion and Analysis
Year Ended March 31, 2005**

General Fund Budgetary Highlights

Over the course of the year, the Township Board and Township administration monitor and amend the budget to account for unanticipated events during the year. The most significant change was a decrease in State shared revenue, additional unfunded mandates, and increased benefit costs. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these issues. When taking into account the planned use of a portion of the Township's general fund balance, Tittabawassee's departments overall stayed below budget, resulting in an excess of \$76,913 from that plan.

Capital Asset and Debt Administration

At the end of 2005 Tittabawassee has \$11,885,939 invested in a wide range of capital assets, including land, buildings, equipment, computer equipment, and water and sewer lines. The value of the governmental infrastructure assets, net of depreciation contained in this report, is \$2,137,385 at the end of 2005.

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and buildings and is reported as a liability on the statement of net assets.

Economic Factors and Next Year's Budgets and Rates

Tittabawassee Township has been fortunate to be geographically located in the center of Saginaw, Midland and Bay City. As a result, residential growth over the past ten years has been steady. The Township's taxable value has grown 10% in 2002, 5% in 2003 and 6.5% in 2004. The increases each year are borne almost solely by new single family homes being built in subdivisions as well as on countryside lots. The population projections by the US Census Bureau indicate a 13.8% increase from 2000 to 2004. The history of Township issued single family housing permits is: 96 in 2000; 78 in 2001; 79 in 2002; 76 in 2003; 69 in 2004.

The Tax rate in Tittabawassee Township has experienced annual declines due to the Headlee Amendment. The recent history of the tax rate is as follows: .9172 in 2000; .9160 in 2001; .9096 in 2002; .9016 in 2003; and .8948 in 2004. Fortunately, the new development throughout the township has allowed the township to remain financially healthy.

The General Fund of the Township is funded by 51% in State Shared Revenues. State Shared revenue is comprised of Constitutional and Statutory funds. As a result of cutbacks at the state level, the Township only receives the constitutional portion of revenue sharing. Therefore, the continuous state discussion of scaling back the statutory revenue source has little to no impact on the Township. The major impact on Constitutional revenue sharing is a downturn in the economy and thus fewer receipts collected. The Township has been able to offset the revenue sharing reductions with continued growth in the taxable value due to new housing starts.

**Township of Tittabawassee
Management's Discussion and Analysis
Year Ended March 31, 2005**

The Township is significantly impacted by a wholesale water contract with the City of Saginaw. Without additional water capacity, new subdivision development is curtailed which reduces the taxes collected and tap in fees to finance improvements in the Sewer and Water systems. On May 31, 2005, the City and the Township entered into a 90 day agreement to allocate additional capacity to the Township, in return for payments in lieu of taxes (\$2,000 per lot). This interim water agreement has enabled the township to work with developers to achieve new development in the township. It is anticipated that a long term agreement with the City will be forthcoming later in 2005.

Contacting Tittabawassee's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Tittabawassee's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township.

Township of Tittabawassee
Statement of Net Assets
March 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,386,027	\$ 3,641,580	\$ 6,027,607	\$ 70,388
Investments	407,683	484,533	892,216	-
Receivables				
Taxes	71,598	4,871	76,469	34,246
Customers	47,979	505,228	553,207	-
Special assessments	63,813	49,383	113,196	-
Accrued interest and other	6,733	20,354	27,087	-
Due from other units of government	75,311	-	75,311	-
Inventories	-	36,150	36,150	-
Prepaid items	24,290	-	24,290	-
Restricted assets				
Cash and cash equivalents	-	368,351	368,351	126,243
Investments	-	176,475	176,475	-
Capital assets, net	<u>2,137,385</u>	<u>9,748,554</u>	<u>11,885,939</u>	<u>82,992</u>
Total assets	<u>5,220,819</u>	<u>15,035,479</u>	<u>20,256,298</u>	<u>313,869</u>
Liabilities				
Accounts payable	103,510	93,852	197,362	15,577
Accrued and other liabilities	22,180	39,201	61,381	26,433
Noncurrent liabilities				
Due within one year	68,016	163,187	231,203	76,152
Due in more than one year	<u>268,600</u>	<u>490,000</u>	<u>758,600</u>	<u>825,000</u>
Total liabilities	<u>462,306</u>	<u>786,240</u>	<u>1,248,546</u>	<u>943,162</u>
Net Assets				
Invested in capital assets, net of related debt	1,850,618	9,748,554	11,599,172	-
Restricted for:				
Bond reserve	-	56,500	56,500	126,243
Unrestricted	<u>2,907,895</u>	<u>4,444,185</u>	<u>7,352,080</u>	<u>(755,536)</u>
Total net assets	<u>\$ 4,758,513</u>	<u>\$ 14,249,239</u>	<u>\$ 19,007,752</u>	<u>\$ (629,293)</u>

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 514,700	\$ 34,471	\$ -	\$ -	\$ (480,229)	\$ -	\$ (480,229)	\$ -
Public safety	723,225	18,273	929	-	(704,023)	-	(704,023)	-
Public works	578,972	454,223	12,716	-	(112,033)	-	(112,033)	-
Community and economic development	21,187	-	-	-	(21,187)	-	(21,187)	-
Recreation and culture	139,741	-	-	-	(139,741)	-	(139,741)	-
Interest on long-term debt	14,008	-	-	-	(14,008)	-	(14,008)	-
Total governmental activities	1,991,833	506,967	13,645	-	(1,471,221)	-	(1,471,221)	-
Business-type activities								
Sewer	860,107	764,542	-	110,725	-	15,160	15,160	-
Water	1,553,881	1,510,364	-	87,742	-	44,225	44,225	-
Total business-type activities	2,413,988	2,274,906	-	198,467	-	59,385	59,385	-
Total primary government	\$ 4,405,821	\$ 2,781,873	\$ 13,645	\$ 198,467	(1,471,221)	59,385	(1,411,836)	-
Component unit								
Downtown Development Authority	\$ 852,236	\$ -	\$ -	\$ 310,000				(542,236)
General revenues								
Property taxes					870,253	-	870,253	298,155
State shared revenue					490,804	-	490,804	-
Unrestricted investment earnings					65,523	97,821	163,344	2,862
Gain on sale of capital assets					9,560	-	9,560	-
Miscellaneous					212,611	331,423	544,034	3,958
Transfers					204,530	(204,530)	-	-
Total general revenues and transfers					1,853,281	224,714	2,077,995	304,975
Change in net assets					382,060	284,099	666,159	(237,261)
Net assets (liabilities) - beginning of year					4,376,453	13,965,140	18,341,593	(392,032)
Net assets (liabilities) - end of year					\$ 4,758,513	\$ 14,249,239	\$ 19,007,752	\$ (629,293)

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Governmental Funds
Balance Sheet
March 31, 2005

	Special Revenue Funds			Other Governmental Funds	Total Governmental Funds
	General	Police	Trash		
Assets					
Cash and cash equivalents	\$ 802,868	\$ 669,561	\$ 527,940	\$ 385,658	\$ 2,386,027
Investments	336,620	71,063	-	-	407,683
Receivables					
Taxes	11,706	30,878	23,612	5,402	71,598
Customers	1,466	-	133	46,380	47,979
Special assessments	63,813	-	-	-	63,813
Accrued interest and other	1,502	1,144	-	-	2,646
Due from other units of government	75,311	-	-	-	75,311
Due from other funds	4,087	-	-	-	4,087
Prepaid items	-	-	24,290	-	24,290
Total assets	<u>\$ 1,297,373</u>	<u>\$ 772,646</u>	<u>\$ 575,975</u>	<u>\$ 437,440</u>	<u>\$ 3,083,434</u>
Liabilities					
Accounts payable	\$ 8,298	\$ 5,619	\$ 41,405	\$ 48,188	\$ 103,510
Accrued and other liabilities	7,006	5,359	-	5,248	17,613
Deferred revenue	75,519	30,878	23,612	5,402	135,411
Total liabilities	<u>90,823</u>	<u>41,856</u>	<u>65,017</u>	<u>58,838</u>	<u>256,534</u>
Fund Balances					
Unreserved, reported in:					
General fund	1,206,550	-	-	-	1,206,550
Special revenue funds	-	730,790	510,958	223,189	1,464,937
Capital project funds	-	-	-	155,413	155,413
Total fund balances	<u>1,206,550</u>	<u>730,790</u>	<u>510,958</u>	<u>378,602</u>	<u>2,826,900</u>
Total liabilities and fund balances	<u>\$ 1,297,373</u>	<u>\$ 772,646</u>	<u>\$ 575,975</u>	<u>\$ 437,440</u>	<u>\$ 3,083,434</u>

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2005

Total fund balances for governmental funds	\$ 2,826,900
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,137,385
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	135,411
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(4,567)
Compensated absences	(54,416)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(282,200)</u>
Net assets of governmental activities	<u><u>\$ 4,758,513</u></u>

Township of Tittabawassee
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2005

	Special Revenue Funds			Other Governmental Funds	Governmental Funds Total
	General	Police	Trash		
Revenues					
Taxes	\$ 243,762	\$ 522,674	\$ -	\$ 91,555	\$ 857,991
Licenses and permits	34,471	-	-	103,527	137,998
State revenue sharing	490,804	-	-	-	490,804
Other state grants	-	-	-	13,645	13,645
Local contributions	-	-	-	21,724	21,724
Charges for services	112,764	4,923	325,003	-	442,690
Fines and forfeitures	-	13,350	-	-	13,350
Interest income	43,437	11,464	2,013	8,610	65,524
Rental income	15,405	-	-	18,625	34,030
Other revenue	38,811	2,362	6,965	20,356	68,494
Total revenues	979,454	554,773	333,981	278,042	2,146,250
Expenditures					
Current					
General government	506,671	-	-	-	506,671
Public safety	-	485,556	-	185,230	670,786
Public works	182,483	-	316,884	75,000	574,367
Community and economic development	21,187	-	-	-	21,187
Recreation and culture	-	-	-	112,814	112,814
Other functions	14,235	-	-	-	14,235
Capital outlay	857,680	210,661	-	133,032	1,201,373
Debt service					
Principal retirement	13,600	-	-	-	13,600
Interest and fiscal charges	14,212	-	-	-	14,212
Total expenditures	1,610,068	696,217	316,884	506,076	3,129,245
Excess (deficiency) of revenues over expenditures	(630,614)	(141,444)	17,097	(228,034)	(982,995)
Other financing sources (uses)					
Transfers in	545,754	6,000	-	186,400	738,154
Transfers out	(180,400)	(43,383)	(21,453)	(276,388)	(521,624)
Sale of capital assets	-	9,560	-	-	9,560
Total other financing sources and uses	365,354	(27,823)	(21,453)	(89,988)	226,090
Net change in fund balances	(265,260)	(169,267)	(4,356)	(318,022)	(756,905)
Fund balance - beginning of year	1,459,885	888,675	535,230	700,686	3,584,476
Prior period adjustment	11,925	11,382	(19,916)	(4,062)	(671)
Fund balance - beginning of year restated	1,471,810	900,057	515,314	696,624	3,583,805
Fund balance - end of year	\$ 1,206,550	\$ 730,790	\$ 510,958	\$ 378,602	\$ 2,826,900

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balances - Total governmental funds \$ (756,905)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(128,414)
Capital outlay	1,245,816

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

Special assessments	(10,709)
Property taxes	12,262

Expenses are recorded when incurred in the statement of activities

Accrued interest	204
Compensated absences	6,206

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>13,600</u>
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Change in net assets of governmental activities	\$ <u>382,060</u>
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Township of Tittabawassee
Proprietary Funds
Statement of Net Assets
March 31, 2005

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,139,822	\$ 1,501,758	\$ 3,641,580
Investments	484,533	-	484,533
Receivables			
Taxes	-	4,871	4,871
Customers	33,775	471,453	505,228
Special assessments, current	33,939	-	33,939
Accrued interest and other	3,244	17,110	20,354
Due from other funds	139,451	-	139,451
Inventories	-	36,150	36,150
Total current assets	<u>2,834,764</u>	<u>2,031,342</u>	<u>4,866,106</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	311,851	56,500	368,351
Investments	176,475	-	176,475
Special assessments receivable, deferred	15,444	-	15,444
Capital assets, net	<u>5,285,791</u>	<u>4,462,763</u>	<u>9,748,554</u>
Total noncurrent assets	<u>5,789,561</u>	<u>4,519,263</u>	<u>10,308,824</u>
Total assets	<u>8,624,325</u>	<u>6,550,605</u>	<u>15,174,930</u>

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Proprietary Funds
Statement of Net Assets
March 31, 2005

	Enterprise Funds		
	Sewer	Water	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 13,582	\$ 80,270	\$ 93,852
Accrued and other liabilities	16,110	47,790	63,900
Due to other funds	-	139,451	139,451
Current portion of noncurrent liabilities	5,000	60,000	65,000
Total current liabilities	34,692	327,511	362,203
Noncurrent liabilities			
Current liabilities payable from restricted assets			
Contracts payable	70,000	-	70,000
Accrued interest payable	3,488	-	3,488
Long-term debt net of current portion	85,000	405,000	490,000
Total noncurrent liabilities	158,488	405,000	563,488
Total liabilities	193,180	732,511	925,691
Net Assets			
Invested in capital assets, net of related debt	5,285,791	4,462,763	9,748,554
Restricted for:			
Bond reserve	-	56,500	56,500
Unrestricted	3,145,354	1,298,831	4,444,185
Total net assets	\$ 8,431,145	\$ 5,818,094	\$ 14,249,239

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2005

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 761,945	\$ 1,429,356	\$ 2,191,301
Connection fees	2,597	81,008	83,605
Other revenue	164,743	166,680	331,423
Total operating revenue	<u>929,285</u>	<u>1,677,044</u>	<u>2,606,329</u>
Operating expenses			
Personal services	190,733	177,223	367,956
Supplies	56,063	53,314	109,377
Contractual services	70,274	928,452	998,726
Utilities	7,782	11,786	19,568
Repairs and maintenance	48,257	24,834	73,091
Other expenses	17,698	8,614	26,312
Depreciation	454,102	314,835	768,937
Total operating expenses	<u>844,909</u>	<u>1,519,058</u>	<u>2,363,967</u>
Operating income	<u>84,376</u>	<u>157,986</u>	<u>242,362</u>
Nonoperating revenue (expenses)			
Interest income	59,273	38,548	97,821
Interest expense	(15,198)	(34,823)	(50,021)
Total nonoperating revenues (expenses)	<u>44,075</u>	<u>3,725</u>	<u>47,800</u>
Income before contributions and transfers out	128,451	161,711	290,162
Capital contributions	110,725	87,742	198,467
Transfers out	(100,024)	(104,506)	(204,530)
Change in net assets	139,152	144,947	284,099
Net assets - beginning of year	<u>8,291,993</u>	<u>5,673,147</u>	<u>13,965,140</u>
Net assets - end of year	<u>\$ 8,431,145</u>	<u>\$ 5,818,094</u>	<u>\$ 14,249,239</u>

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 929,229	\$ 1,463,834	\$ 2,393,063
Receipts from other funds	-	4,522	4,522
Payments to other funds	-	(18,351)	(18,351)
Payments to suppliers	(198,244)	(966,938)	(1,165,182)
Payments to employees	(190,733)	(177,223)	(367,956)
Net cash provided by operating activities	<u>540,252</u>	<u>305,844</u>	<u>846,096</u>
Cash flows from noncapital financing activities			
Transfers to other funds	<u>(100,024)</u>	<u>(104,506)</u>	<u>(204,530)</u>
Cash flows from capital and related financing activities			
Proceeds from special assessments	33,195	-	33,195
Capital contributions	110,725	87,742	198,467
Purchases/construction of capital assets	(436,455)	(405,163)	(841,618)
Principal and interest paid on long-term debt	(95,198)	(89,823)	(185,021)
Repayment of interfund borrowings	<u>22,821</u>	<u>-</u>	<u>22,821</u>
Net cash used by capital and related financing activities	<u>(364,912)</u>	<u>(407,244)</u>	<u>(772,156)</u>

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash flows from investing activities			
Proceeds from sales and maturities of investments	\$ 901,547	\$ 459,063	\$ 1,360,610
Interest received	<u>60,282</u>	<u>38,548</u>	<u>98,830</u>
Net cash provided by investing activities	<u>961,829</u>	<u>497,611</u>	<u>1,459,440</u>
Net increase in cash and cash equivalents	1,037,145	291,705	1,328,850
Cash and cash equivalents - beginning of year	<u>1,414,528</u>	<u>1,266,553</u>	<u>2,681,081</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,451,673</u></u>	<u><u>\$ 1,558,258</u></u>	<u><u>\$ 4,009,931</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income	\$ 84,376	\$ 157,986	\$ 242,362
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	454,102	314,835	768,937
Changes in assets and liabilities			
Receivables (net)	(56)	(213,210)	(213,266)
Due from other funds	-	4,522	4,522
Inventories	-	11,280	11,280
Accounts payable	2,432	43,744	46,176
Accrued and other liabilities	(602)	5,038	4,436
Due to other funds	<u>-</u>	<u>(18,351)</u>	<u>(18,351)</u>
Net cash provided by operating activities	<u><u>\$ 540,252</u></u>	<u><u>\$ 305,844</u></u>	<u><u>\$ 846,096</u></u>

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Fiduciary Funds
Statement of Net Assets
March 31, 2005

	<u>Pension Trust</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ -	\$ 51,053
Investments	<u>1,280,434</u>	<u>-</u>
 Total assets	 <u>1,280,434</u>	 <u>\$ 51,053</u>
 Liabilities		
Accrued and other liabilities	-	\$ 5,722
Due to other funds	-	4,087
Due to other units of government	<u>-</u>	<u>41,244</u>
 Total liabilities	 <u>-</u>	 <u>\$ 51,053</u>
 Net Assets		
Held in trust for pension benefits and other purposes	<u>\$ 1,280,434</u>	

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Fiduciary Funds
Statement of Changes in Net Assets
For the Year Ended March 31, 2005

	<u>Pension Trust</u>
Additions	
Contributions	
Employer	\$ 67,475
Plan members	<u>35,262</u>
Total contributions	<u>102,737</u>
Investment earnings	
Interest	13,271
Net increase in fair value	<u>59,332</u>
Total investment earnings	<u>72,603</u>
Change in net assets	175,340
Net assets - beginning of year	<u>1,105,094</u>
Net assets - end of year	<u>\$ 1,280,434</u>

See Accompanying Notes to Financial Statements

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Township of Tittabawassee is governed by an elected seven-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the entity wide financial statements include the financial data of the Township's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the Township. The members of the Governing Board of the Downtown Development Authority are appointed by the Township Board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township Board. The Township also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority does not issue any other form of financial statements except as contained in the Township of Tittabawassee annual financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant

extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current*

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for the revenue and expenditures for the government's police protection.

The Trash Fund accounts for the revenue and expenditures for the government's refuse collection.

The government reports the following major business funds:

The Water Fund and Sewer Fund account for the activities of the

water distribution system and sewage collection system.

Additionally, the government reports the following:

Non-major special revenue funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Non-major Capital Project Funds are used to account for the acquisition or construction of major capital facilities other than those financed by business type operations and special assessments.

Trust and Agency Funds account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Pension Trust Fund and Agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government Enterprise Funds of the Sewer and Water Funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are stated at fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the government totaled \$210,076,570, on which ad valorem taxes consisted of 0.8948 mills for operating purposes. This resulted in \$174,556 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets – Certain revenue bonds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted cash and cash equivalents and investments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated absences – It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or

proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balance – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the Township's financial statements.

Accounting and reporting changes

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. The Township of Tittabawassee applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Township has elected to implement both the general provisions of the

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

statement and the prospective reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Capital assets in the governmental activities column of statement of net assets were not previously reported.
- The governmental activities column includes bonds and other long-term obligations previously reported in the general fixed asset account group. The beginning balance was reduced by \$1,284,714 to reflect accumulated depreciation. In addition, accrued interest payable has been included.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

The Township incurred expenditures in excess of budget in the Downtown Development Authority (DDA). Excess expenditures in these funds occurred in the following area:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
DDA			
Public works	\$ 547,015	\$ 774,651	\$ 227,636

Deficit net assets

The Component unit, Downtown Development Authority has deficit net assets in the government-wide statement of net assets. The deficit of \$ 629,293 is a result of \$ 900,000 in bonds outstanding that do not have offsetting capital assets. The deficit will be recovered through property taxes.

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Restricted Investments
Governmental activities	\$ 2,386,027	\$ 407,683	\$ -	\$ -
Business-type activities	<u>3,641,580</u>	<u>484,533</u>	<u>368,351</u>	<u>176,475</u>
Total primary government	6,027,607	892,216	368,351	176,475
Fiduciary funds	51,053	1,280,434	-	-
Component unit	<u>70,388</u>	<u>-</u>	<u>126,243</u>	<u>-</u>
Total	<u>\$ 6,149,048</u>	<u>\$ 2,172,650</u>	<u>\$ 494,594</u>	<u>\$ 176,475</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 6,395,308	\$ 51,053	\$ 196,631
Investments in securities, mutual funds and similar vehicles	1,068,691	1,280,434	-
Petty cash and cash on hand	<u>650</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,464,649</u>	<u>\$ 1,331,487</u>	<u>\$ 196,631</u>

Deposits

The bank balance was \$ 6,721,557 at year end. Of the bank balance, \$ 300,000 was covered by federal depository insurance and 6,421,557 was uninsured and uncollateralized. Since the component unit participates in the government's common cash, the federal depository insurance is not specifically allocated to their balance.

Investments

Investments are classified into three categories to give an indication of the level of risk assumed by the government. Category 1 includes investments that are insured or registered or for which the securities are held by the government or its agency in the government's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agency in the government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the government's name.

Township of Tittabawassee

Notes to Financial Statements

March 31, 2005

At year-end, investment balances were not subject to categorization. They were reported at fair value as follows:

Primary government	
Mutual funds	\$ 1,068,691
Fiduciary Funds	
Pension Trust	\$ 1,280,434

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
Primary government		
Special assessments	\$ 15,444	Sewer

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
Special assessments	\$ 61,856
Property taxes	73,555
	<u>\$ 135,411</u>
Component unit	
Property taxes	\$ 34,246

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 176,397	\$ -	\$ -	\$ 176,397
Capital assets being depreciated				
Land improvements	224,966	88,294	-	313,260
Buildings, additions and improvements	811,378	1,018,170	-	1,829,548
Machinery and equipment	571,360	117,610	-	688,970
Vehicles	520,596	21,742	-	542,338
Total capital assets being depreciated	2,128,300	1,245,816	-	3,374,116
Less accumulated depreciation for				
Land improvements	41,497	11,035	-	52,532
Buildings, additions and improvements	281,026	35,609	-	316,635
Machinery and equipment	529,767	48,030	-	577,797
Vehicles	432,424	33,740	-	466,164
Total accumulated depreciation	1,284,714	128,414	-	1,413,128
Net capital assets being depreciated	843,586	1,117,402	-	1,960,988
Governmental activities capital assets, net	\$ 1,019,983	\$ 1,117,402	\$ -	\$ 2,137,385
Business-type activities				
Capital assets not being depreciated				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Construction in progress	1,172,809	250,593	-	1,423,402
Total capital assets not being depreciated	1,292,809	250,593	-	1,543,402
Capital assets being depreciated				
Buildings, additions and improvements	1,265,324	-	-	1,265,324
Machinery and equipment	261,604	-	-	261,604
Vehicles	118,286	-	-	118,286
Water system	6,709,564	405,163	-	7,114,727
Sewer system	8,275,330	185,862	-	8,461,192
Total capital assets being depreciated	16,630,108	591,025	-	17,221,133
Less accumulated depreciation for				
Buildings, additions and improvements	512,896	21,132	-	534,028
Machinery and equipment	229,201	14,362	-	243,563
Vehicles	115,670	1,361	-	117,031
Water system	2,373,065	308,792	-	2,681,857
Sewer system	5,016,213	423,289	-	5,439,502
Total accumulated depreciation	8,247,045	768,936	-	9,015,981
Net capital assets being depreciated	8,383,063	(177,911)	-	8,205,152
Business-type capital assets, net	\$ 9,675,872	\$ 72,682	\$ -	\$ 9,748,554

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

Capital assets activity of the component unit for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital assets not being depreciated				
Land	\$ 9,492	\$ -	\$ -	\$ 9,492
Capital assets being depreciated				
Buildings, additions and improvements	-	75,000	-	75,000
Machinery and equipment	2,796	-	-	2,796
Total capital assets being depreciated	2,796	75,000	-	77,796
Less accumulated depreciation for				
Buildings, additions and improvements	-	1,500	-	1,500
Machinery and equipment	2,796	-	-	2,796
Total accumulated depreciation	2,796	1,500	-	4,296
Net capital assets being depreciated	-	73,500	-	73,500
Component unit capital assets, net	\$ 9,492	\$ 73,500	\$ -	\$ 82,992

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

Public safety	\$ 52,439
Public works	49,048
Recreation and culture	<u>26,927</u>

Total governmental activities \$ 128,414

Business-type activities

Sewer	\$ 454,102
Water	<u>314,835</u>

Total business-type activities \$ 768,937

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency	\$ 4,087
Sewer	Water	<u>139,451</u>
		<u>\$ 143,538</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
Other governmental funds	General	\$ 297,841
DDA	Police	6,000
DDA	Other governmental funds	6,000
Police	General	43,383
Sewer	General	100,024
Water	General	104,506
General	Other governmental funds	<u>180,400</u>
		<u>\$ 738,154</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund, Water Fund and DDA.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds payable									
Contract payable									
Bishop Tile Drain	\$ 340,000	2018	5.75%	\$6,800 - \$27,200	\$ 295,800	\$ -	\$ 13,600	\$ 282,200	\$ 13,600
Total bonds payable					295,800	-	13,600	282,200	13,600
Compensated absences					60,622	2,288	8,494	54,416	54,416
Total governmental activities					\$ 356,422	\$ 2,288	\$ 22,094	\$ 336,616	\$ 68,016
Business-type activities									
Bonds payable									
General obligation bonds									
1987 revenue refunding bonds	\$ 335,000	2013	8.10%	\$25,000 - \$35,000	\$ 250,000	\$ -	\$ 20,000	\$ 230,000	\$ 25,000
Special assessment obligations									
1994 special assessment sewer bonds	130,000	2009	6.35%	\$ 5,000	30,000	-	10,000	20,000	5,000
Contracts payable									
Sanitary sewer extension No. 2	1,350,000	2007	7.45% - 7.50%	\$ 70,000	210,000	-	70,000	140,000	70,000
Water supply system extension No. 2	575,000	2010	7.00%	\$35,000 - \$50,000	270,000	-	35,000	235,000	35,000
Total bonds payable					760,000	-	135,000	625,000	135,000
Compensated absences					17,837	10,350	-	28,187	28,187
Total business-type activities					\$ 777,837	\$ 10,350	\$ 135,000	\$ 653,187	\$ 163,187
Component units									
General obligation bonds									
1994 Downtown Development bonds	\$ 1,105,000	2015	7.00%	\$75,000 - \$100,000	\$ 950,000	\$ -	\$ 50,000	\$ 900,000	\$ 75,000
Compensated absences					800	352	-	1,152	1,152
Total component units					\$ 950,800	\$ 352	\$ 50,000	\$ 901,152	\$ 76,152

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 13,600	\$ 15,835	\$ 135,000	\$ 37,347
2007	13,600	15,053	150,000	27,411
2008	17,000	14,174	80,000	19,556
2009	17,000	13,197	80,000	14,324
2010	17,000	12,219	80,000	9,094
2011-2015	102,000	44,770	100,000	11,582
2016-2020	<u>102,000</u>	<u>12,121</u>	<u>-</u>	<u>-</u>
	<u>\$ 282,200</u>	<u>\$ 127,369</u>	<u>\$ 625,000</u>	<u>\$ 119,314</u>

Year Ending December 31,	Component Unit	
	Principal	Interest
2006	\$ 75,000	\$ 60,375
2007	75,000	55,125
2008	75,000	49,875
2009	75,000	44,625
2010	100,000	38,500
2011-2015	<u>500,000</u>	<u>87,500</u>
	<u>\$ 900,000</u>	<u>\$ 336,000</u>

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - EMPLOYEE'S RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLAN

The Township's Public Employee Retirement System (PERS) is a single-employer PERS that administers the Township's defined contribution plan for its municipal employees. The PERS prepares and distributes separate financial statements as required by state statute but its financial statements are also included in a Trust Fund of the Township's reporting entity. The Township is the only non-employee contributor to the pension plan. All full time employees of the Township are covered by the defined contribution pension plan. As of March 31, 2005, the pension plan's current membership was 17 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and returns earned on investments of those contributions. As established by state statute, all full-time municipal employees of the Township must participate in the pension plan from the date they are hired. Contributions made by employee vest immediately and contributions made by the Township vest after 2 years of full-time employment. An employee that leaves the employment of the Township is entitled to his or her contribution and the Township's contributions if vesting requirements are satisfied, plus interest earnings. Each employee must contribute 5% of his or her gross earnings to the pension plan and may voluntarily contribute an additional 7%.

Township of Tittabawassee

Notes to Financial Statements

March 31, 2005

During the year, the Township's required and actual contributions amounted to \$67,475, which was 11% of its current-year covered payroll. Employees' required and volunteer contributions amounted to \$35,261.

No pension changes occurred during the year that affected the required contributions to be made by the Township or its employees.

The PERS held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

The Township's policy is to fund pension costs representing 8 to 12 percent of the annual salaries of covered employees, as follows:

	<u>Non-Union</u>	<u>Police Union</u>	<u>Union Local</u>
Township contribution rate	8-12%	12%	10%
Employee contribution rate	5%	5%	5%

NOTE 10 - POST EMPLOYMENT BENEFITS

Effective April 1, 2003, in addition to the pension benefits described above, the Township provides \$400 in post-retirement health insurance coverage per month for retirees from the police department. The retiree must have attained the age of fifty-five (55) years and completed at least twenty-five (25) years of service. The employee will be provided the \$400 per month only until the age of sixty-five or becomes eligible for medicare, whichever occurs first. In the current year no one received benefits, accordingly, there were no expenditures.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal

government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

The March 31, 2004 financial statements have been restated to account for compensated absences that were previously recorded in the governmental funds. Compensated absences should not be recorded at the fund level in those funds following modified accrual accounting. In addition, taxes receivable received after 60 days of year end were recognized as revenue and should have been deferred revenue. The following shows the restatement:

Governmental Activities	
Net assets - beginning of year	\$ 3,584,476
Compensated absences	60,622
Deferred revenue (property taxes)	<u>(61,293)</u>
Net assets - beginning of year restated	<u>\$ 3,583,805</u>
Component Unit	
Net assets - beginning of year	\$ 576,393
Compensated absences	800
Deferred revenue (property taxes)	<u>(48,825)</u>
Net assets - beginning of year restated	<u>\$ 528,368</u>

NOTE 13 - UPCOMING ACCOUNTING AND REPORTING CHANGES

GASB NO. 45

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for*

Township of Tittabawassee
Notes to Financial Statements
March 31, 2005

Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

Township of Tittabawassee
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 171,000	\$ 172,000	\$ 177,205	\$ 5,205
Penalties and interest	150	150	560	410
Administration fee	52,000	61,000	65,997	4,997
Licenses and permits	20,000	29,700	34,471	4,771
State revenue sharing	496,000	496,000	490,804	(5,196)
Charges for services	21,700	110,687	112,764	2,077
Interest income	55,150	55,150	43,437	(11,713)
Rental income	15,900	15,900	15,405	(495)
Other revenue	104,987	24,000	38,811	14,811
Transfer in	-	545,754	545,754	-
Total revenues	<u>936,887</u>	<u>1,510,341</u>	<u>1,525,208</u>	<u>14,867</u>
Expenditures				
General government				
Township board	12,073	14,273	11,820	(2,453)
Supervisor	12,715	15,916	14,447	(1,469)
Manager	193,809	225,809	227,503	1,694
Accounting	80,981	80,981	86,388	5,407
Clerk	48,786	51,986	32,671	(19,315)
Board of review	2,803	2,803	2,089	(714)
Treasurer	43,431	45,631	39,546	(6,085)
Assessor	47,838	40,538	40,160	(378)
Elections	7,900	7,900	5,345	(2,555)
Buildings and grounds	36,835	36,835	30,705	(6,130)
Cemetery	18,806	18,806	15,997	(2,809)
Total general government	<u>505,977</u>	<u>541,478</u>	<u>506,671</u>	<u>(34,807)</u>

Township of Tittabawassee
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Department of public works	\$ 173,204	\$ 197,575	\$ 182,483	\$ (15,092)
Community and economic development				
Planning	27,318	27,818	20,408	(7,410)
Zoning	2,592	2,592	779	(1,813)
Total community and economic development	29,910	30,410	21,187	(9,223)
Other functions				
Insurance and bonds	12,000	12,000	14,235	2,235
Capital outlay	451,000	859,811	857,680	(2,131)
Debt service				
Principal retirement	13,600	13,600	13,600	-
Interest and fiscal charges	17,240	17,240	14,212	(3,028)
Total debt service	30,840	30,840	27,812	(3,028)
Transfers out	180,400	180,400	180,400	-
Total expenditures	1,383,331	1,852,514	1,790,468	(62,046)
Excess (deficiency) of revenues over expenditures	(446,444)	(342,173)	(265,260)	76,913
Fund balance - beginning of year	1,459,885	1,459,885	1,459,885	-
Prior period adjustment	-	-	11,925	11,925
Fund balance - beginning of year (restated)	1,459,885	1,459,885	1,471,810	11,925
Fund balance - end of year	\$ 1,013,441	\$ 1,117,712	\$ 1,206,550	\$ 88,838

Township of Tittabawassee
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 465,050	\$ 465,050	\$ 522,674	\$ 57,624
Charges for services	5,200	5,200	4,923	(277)
Fines and forfeitures	4,600	8,400	13,350	4,950
Interest income	17,300	17,300	11,464	(5,836)
Other revenue	2,050	2,050	2,362	312
Sale of fixed assets	-	9,600	9,560	(40)
Transfers in	6,000	6,000	6,000	-
Total revenues	500,200	513,600	570,333	56,733
Expenditures				
Current				
Public safety	463,309	501,799	485,556	(16,243)
Capital outlay	248,250	248,250	210,661	(37,589)
Transfers out	-	43,383	43,383	-
Total expenditures	711,559	793,432	739,600	(53,832)
Excess of revenues (deficiency) over expenditures	(211,359)	(279,832)	(169,267)	110,565
Fund balance - beginning of year	888,675	888,675	888,675	-
Prior period adjustment	-	-	11,382	11,382
Fund balance - beginning of year (restated)	888,675	888,675	900,057	11,382
Fund balance - end of year	\$ 677,316	\$ 608,843	\$ 730,790	\$ 121,947

Township of Tittabawassee
Required Supplemental Information
Budgetary Comparison Schedule
Trash Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 326,797	\$ 326,797	\$ 325,003	\$ (1,794)
Interest income	4,000	4,000	2,013	(1,987)
Other revenue	3,000	9,500	6,965	(2,535)
Total revenues	<u>333,797</u>	<u>340,297</u>	<u>333,981</u>	<u>(6,316)</u>
Expenditures				
Current				
Public works	352,385	352,385	316,884	(35,501)
Transfers out	-	21,453	21,453	-
Total expenditures	<u>352,385</u>	<u>373,838</u>	<u>338,337</u>	<u>(35,501)</u>
Excess of revenues (deficiency) over expenditures	<u>(18,588)</u>	<u>(33,541)</u>	<u>(4,356)</u>	<u>29,185</u>
Fund balance - beginning of year	535,230	535,230	535,230	-
Prior period adjustment	-	-	(19,916)	(19,916)
Fund balance - beginning of year (restated)	<u>535,230</u>	<u>535,230</u>	<u>515,314</u>	<u>(19,916)</u>
Fund balance - end of year	<u>\$ 516,642</u>	<u>\$ 501,689</u>	<u>\$ 510,958</u>	<u>\$ 9,269</u>

Township of Tittabawassee
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2005

	Special Revenue Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
	Fire	Park	Building Inspection	Road Improvement Revolving	Capital Improvement	
Assets						
Cash and cash equivalents	\$ 105,068	\$ 76,683	\$ 48,494	\$ 141,931	\$ 13,482	\$ 385,658
Receivables						
Taxes	5,402	-	-	-	-	5,402
Customers	2,610	43,770	-	-	-	46,380
Total assets	<u>\$ 113,080</u>	<u>\$ 120,453</u>	<u>\$ 48,494</u>	<u>\$ 141,931</u>	<u>\$ 13,482</u>	<u>\$ 437,440</u>
Liabilities						
Accounts payable	\$ 2,735	\$ 44,970	\$ 483	\$ -	\$ -	\$ 48,188
Accrued and other liabilities	-	3,596	1,652	-	-	5,248
Deferred revenue	5,402	-	-	-	-	5,402
Total liabilities	<u>8,137</u>	<u>48,566</u>	<u>2,135</u>	<u>-</u>	<u>-</u>	<u>58,838</u>
Fund Balances						
Reserved for:						
Undesignated	<u>104,943</u>	<u>71,887</u>	<u>46,359</u>	<u>141,931</u>	<u>13,482</u>	<u>378,602</u>
Total fund balances	<u>104,943</u>	<u>71,887</u>	<u>46,359</u>	<u>141,931</u>	<u>13,482</u>	<u>378,602</u>
Total liabilities and fund balances	<u>\$ 113,080</u>	<u>\$ 120,453</u>	<u>\$ 48,494</u>	<u>\$ 141,931</u>	<u>\$ 13,482</u>	<u>\$ 437,440</u>

Township of Tittabawassee
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2005

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Fire	Park	Building Inspection	Road Improvement Revolving	Capital Improvement	
Revenues						
Taxes	\$ 91,555	\$ -	\$ -	\$ -	\$ -	\$ 91,555
Licenses and permits	-	-	103,527	-	-	103,527
Other state grants	929	-	-	12,716	-	13,645
Local contributions	-	21,724	-	-	-	21,724
Interest income	894	5	-	4,151	3,560	8,610
Rental income	-	18,625	-	-	-	18,625
Other revenue	7,015	13,341	-	-	-	20,356
Total revenues	100,393	53,695	103,527	16,867	3,560	278,042
Expenditures						
Current						
Public safety	89,320	-	95,910	-	-	185,230
Public works	-	-	-	75,000	-	75,000
Recreation and culture	-	112,814	-	-	-	112,814
Capital outlay	52,999	65,533	14,500	-	-	133,032
Total expenditures	142,319	178,347	110,410	75,000	-	506,076
Excess (deficiency) of revenues over expenditures	(41,926)	(124,652)	(6,883)	(58,133)	3,560	(228,034)
Other financing sources (uses)						
Transfers in	16,000	95,400	-	45,000	30,000	186,400
Transfers out	(7,997)	(11,827)	(6,564)	-	(250,000)	(276,388)
Total other financing sources and uses	8,003	83,573	(6,564)	45,000	(220,000)	(89,988)
Net change in fund balance	(33,923)	(41,079)	(13,447)	(13,133)	(216,440)	(318,022)
Fund balance - beginning of year	142,928	112,966	59,806	155,064	229,922	700,686
Prior period adjustment	(4,062)	-	-	-	-	(4,062)
Fund balance - beginning of year (restated)	138,866	112,966	59,806	155,064	229,922	696,624
Fund balance - end of year	\$ 104,943	\$ 71,887	\$ 46,359	\$ 141,931	\$ 13,482	\$ 378,602

Township of Tittabawassee
Other Supplemental Information
Component Unit - Downtown Development Authority
Budgetary Comparison Schedule
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 261,000	\$ 270,000	\$ 312,734	\$ 42,734
Federal grants	-	310,000	310,000	-
Interest income	5,500	5,500	2,862	(2,638)
Other revenue	1,000	1,000	3,958	2,958
	<u>267,500</u>	<u>586,500</u>	<u>629,554</u>	<u>43,054</u>
Expenditures				
Current				
Public works	255,015	547,015	774,651	227,636
Capital outlay	-	75,000	75,000	-
Debt service				
Principal retirement	50,000	50,000	50,000	-
Interest and fiscal charges	69,900	69,900	65,400	(4,500)
Transfers out	12,000	12,000	12,000	-
	<u>386,915</u>	<u>753,915</u>	<u>977,051</u>	<u>223,136</u>
Total expenditures				
	<u>386,915</u>	<u>753,915</u>	<u>977,051</u>	<u>223,136</u>
Deficiency of revenues over expenditures	<u>(119,415)</u>	<u>(167,415)</u>	<u>(347,497)</u>	<u>(180,082)</u>
Fund balance - beginning of year	576,393	576,393	576,393	-
Prior period adjustment	-	-	(48,025)	(48,025)
Fund balance - beginning of year (restated)	<u>576,393</u>	<u>576,393</u>	<u>528,368</u>	<u>(48,025)</u>
Fund balance - end of year	<u>\$ 456,978</u>	<u>\$ 408,978</u>	<u>\$ 180,871</u>	<u>\$ (228,107)</u>

Township of Tittabawassee
Component Unit - Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balances - Total governmental funds \$ (347,497)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(1,500)
Capital outlay	75,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

Property taxes	(14,579)
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Expenses are recorded when incurred in the statement of activities

Accrued interest	1,667
Compensated absences	(352)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>50,000</u>
------------------------------	---------------

Change in net assets of governmental activities **\$ (237,261)**

Township of Tittabawassee
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Governmental Activities	5.75%	2006	\$ 13,600	\$ 8,113	\$ 7,722	\$ 29,435
Bishop Tile Drain	5.75%	2007	13,600	7,722	7,331	28,653
Amount of issue - \$ 340,000	5.75%	2008	17,000	7,331	6,843	31,174
	5.75%	2009	17,000	6,843	6,354	30,197
	5.75%	2010	17,000	6,354	5,865	29,219
	5.75%	2011	17,000	5,865	5,376	28,241
	5.75%	2012	20,400	5,376	4,790	30,566
	5.75%	2013	20,400	4,790	4,203	29,393
	5.75%	2014	20,400	4,203	3,617	28,220
	5.75%	2015	23,800	3,617	2,933	30,350
	5.75%	2016	23,800	2,933	2,248	28,981
	5.75%	2017	23,800	2,248	1,564	27,612
	5.75%	2018	27,200	1,564	782	29,546
	5.75%	2019	27,200	782	-	27,982
			<u>\$ 282,200</u>	<u>\$ 67,741</u>	<u>\$ 59,628</u>	<u>\$ 409,569</u>
Business-type activities	8.10%	2006	\$ 25,000	\$ 6,497	\$ 6,497	\$ 37,994
1987 revenue refunding bonds	8.10%	2007	25,000	5,792	5,792	36,584
Amount of issue - \$ 335,000	8.10%	2008	25,000	5,085	5,085	35,170
	8.10%	2009	25,000	4,378	4,378	33,756
	8.10%	2010	30,000	3,672	3,672	37,344
	8.10%	2011	30,000	2,825	2,825	35,650
	8.10%	2012	35,000	1,977	1,977	38,954
	8.10%	2013	35,000	989	989	36,978
			<u>\$ 230,000</u>	<u>\$ 31,215</u>	<u>\$ 31,215</u>	<u>\$ 292,430</u>

Township of Tittabawassee
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
1994 special assessment sewer bonds	6.35%	2006	\$ 5,000	\$ 635	\$ 635	\$ 6,270
Amount of issue - \$ 130,000	6.35%	2007	5,000	476	476	5,952
	6.35%	2008	5,000	318	318	5,636
	6.35%	2009	5,000	159	159	5,318
			<u>\$ 20,000</u>	<u>\$ 1,588</u>	<u>\$ 1,588</u>	<u>\$ 23,176</u>
Sanitary sewer extension No. 2	7.45%	2006	\$ 70,000	\$ 5,233	\$ 2,625	\$ 77,858
Amount of issue - \$ 1,350,000	7.50%	2007	70,000	2,625	-	72,625
			<u>\$ 140,000</u>	<u>\$ 7,858</u>	<u>\$ 2,625</u>	<u>\$ 150,483</u>
Water supply system extension No. 2	7.00%	2006	\$ 35,000	\$ 8,225	\$ 7,000	\$ 50,225
Amount of issue - \$ 575,000	7.00%	2007	50,000	7,000	5,250	62,250
	7.00%	2008	50,000	5,250	3,500	58,750
	7.00%	2009	50,000	3,500	1,750	55,250
	7.00%	2010	50,000	1,750	-	51,750
			<u>\$ 235,000</u>	<u>\$ 25,725</u>	<u>\$ 17,500</u>	<u>\$ 278,225</u>
Component Unit	7.00%	2006	\$ 75,000	\$ 31,500	\$ 28,875	\$ 135,375
1994 Downtown Development bonds	7.00%	2007	75,000	28,875	26,250	130,125
Amount of issue - \$ 1,105,000	7.00%	2008	75,000	26,250	23,625	124,875
	7.00%	2009	75,000	23,625	21,000	119,625
	7.00%	2010	100,000	21,000	17,500	138,500
	7.00%	2011	100,000	17,500	14,000	131,500
	7.00%	2012	100,000	14,000	10,500	124,500
	7.00%	2013	100,000	10,500	7,000	117,500
	7.00%	2014	100,000	7,000	3,500	110,500
	7.00%	2015	100,000	3,500	-	103,500
			<u>\$ 900,000</u>	<u>\$ 183,750</u>	<u>\$ 152,250</u>	<u>\$ 1,236,000</u>



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June 10, 2005

To the Township Board
Township of Tittabawassee

In planning and performing our audit of the financial statements of the Township of Tittabawassee for the year ended March 31, 2005, we considered the Township's internal control system to determine our auditing procedures for the purposes of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments regarding those matters. This letter does not affect our report dated June 10, 2005, on the financial statements of the Township of Tittabawassee.

The following is a listing of the comments from the previous year. Their status for the current year follows:

UTILITIES BILLING TESTING

Resolved - When a meter is broken, not reading correctly or the Department of Public Works (DPW) does not have ample time to correct the problem the Township is now billing the customer the amount equivalent to last years average usage.

UTILITIES BILLING ADJUSTMENTS

Resolved - The fiscal services director is receiving a monthly report of adjustments. He is reviewing for unusual items and initialing his approval. We recommend continuing the procedures put in place to ensure adequate safeguards over your utility billing.

BANK RECONCILIATIONS

Resolved - The deputy treasurer is now receiving the bank statements directly from the bank. She is reviewing all activity, including cancelled checks, and then initialing the statements showing her approval. These statements are then given to the fiscal services director for the reconciliations to be performed. We recommend continuing the procedures put in place to ensure adequate safeguards over your cash balances.

CASH HANDLING

Resolved - All cash is now collected at the Township Hall. DPW employees are to direct all customers to make payments at the Township Hall before any permits can be issued.

AUTOMATED CLEARING HOUSE (ACH) ARRANGEMENTS

Resolved - The Township has met the requirements of Pubic Act 738 of 2002, and adopted a resolution to authorize the use of electronic transactions.

Township Board
Township of Tittabawassee

Comments for the current year:

JOURNAL ENTRIES

In performing test of controls of journal entries we noted that supporting documentation can be improved. We recommend supporting documentation be attached to substantiate all journal entries made. In addition, we recommend the fiscal services director printout a monthly journal entry report to verify no additional entries were posted without out proper approval.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with Township personnel. We will be pleased to discuss these items in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

Very truly yours,

YEO & YEO, P.C.
CPAs and Business Consultants

A handwritten signature in black ink that reads "Mari McKenzie". The signature is written in a cursive style with a large, looped 'M' and a trailing flourish.

Mari McKenzie